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MAY 1955

# MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

## REFLECTIONS ON YALTA

THE EDITORS

## FREE ENTERPRISE IN ACTION

POLITICAL ECONOMIST

## ON COMPETITIVE COEXISTENCE

A STUDENT OF THE USSR

VOL. 7

1

### *Freedom to Teach*

TEN HARVARD AND COLUMBIA PROFESSORS

EDITORS . . . LEO HUBERMAN . . . PAUL M. SWEETZ

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## NOTES FROM THE EDITORS

With the summer vacation right around the corner, we would like to call your attention to a matter of real importance to MR's small and overworked staff. If you are changing your address—for the summer or permanently—please tell us well in advance. It isn't enough to tell the Post Office, for unless you receive the magazine by first-class mail or pay extra postage, they will not forward your copies to you. When you notify us, please be sure to give us both old and new address—or, better still, along with the new address enclose a clipping of the old address from a recent envelope. We'll guarantee to see that you don't miss a single copy if you let us know at least three weeks in advance of your moving date.

At this writing, Leo Huberman is in San Francisco at about the halfway mark in his current western trip. His reports indicate that he is having

*(continued on inside back cover)*

## REFLECTIONS ON YALTA

At the time of writing, we have not yet seen the official 834-page volume entitled "The Conferences at Malta and Yalta, 1945" which was recently released for publication by the State Department. But if one is justified in forming an opinion on the basis of the extensive excerpts published in the *New York Times*, it seems safe to assume that these supposedly great "revelations" do not in fact reveal very much that has not already been made public in the numerous postwar memoirs and diaries of leading Anglo-American statesmen and soldiers. Nevertheless, the Yalta papers are unquestionably important and intensely interesting documents, and their publication furnishes a suitable occasion for serious reflection on some of the decisive personalities and issues of our day.

Such reflection becomes all the more appropriate when we consider that the State Department's purpose in releasing the documents at this time was not only to score a point in domestic politics but also to render more difficult the resumption of intimate talks among the great powers. The implication, spelled out in lurid detail by official and unofficial spokesmen of the Republican Party, is clearly that Yalta is a horrible example of what happens when Americans (especially Democrats) sit down to discuss with the wicked Russians and the wily British. And the conclusion, more often implied than openly stated, is that if the American people don't want to get out-manuevered and sold down the river again, they had better shut their representatives up—in both senses of the term.

The curious thing in a way is that an actual reading of the Yalta papers lends no support whatever to this gloomy view of international negotiations. One can only assume that Messrs. Dulles *et al* feel sure that very few people will bother to look at the papers, while the publicity attendant on their release can be counted on to build up Yalta as a symbol of failure and betrayal. Unfortunately, in the present state of the country, they are probably right in their calculations, though this does not release those of us who know better from an obligation to make every effort to prove them wrong.

The heart of the Yalta papers, it seems to be generally agreed, is the Bohlen minutes of the Roosevelt-Churchill-Stalin and the

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Roosevelt-Stalin meetings (conferences between Roosevelt and Churchill, where no interpreter was necessary, were apparently not recorded). These are reproduced in full in the *Times* (March 17) and also in *U. S. News & World Report* (March 25), and since they are not overly long (the *U. S. News* version covers 33 three-column magazine pages) they can be strongly recommended as reading matter to everyone who is interested in what really went on at Yalta. Except where a different source is indicated, the following reflections are based essentially on the Bohlen minutes.

(1) The picture of Roosevelt as ill and failing, which is now being sedulously put about, does not come through at all in the account of the meetings. No doubt he was worn and tired, but equally unquestionably his mind was perfectly clear and he knew just what he was after. He wanted to win the war as rapidly as possible and with a minimum further cost in American casualties, and he wanted to organize a durable peace. Furthermore—and this is what distinguished FDR from a good many other Americans who shared his general objectives—he understood the implications of what he wanted. He knew that the quickest way to win the war was to strengthen the Big Three alliance and to coordinate its far-flung military activities; and, like every other decent American at the time, his heart was set on securing Russian entry into the Far Eastern war as a guarantee against the frightful casualties which might have resulted from an invasion of Japan. Roosevelt also knew that another war, if it ever came, would find the United States on one side and the Soviet Union on the other, and that, therefore, to will peace was to will East-West friendship and cooperation.

Roosevelt's conduct and actions at Yalta were logically and straightforwardly guided by what he wanted and knew. His seeing and talking frankly with Stalin in Churchill's absence was not an example of disloyalty to the British—as even so objective an observer as R. H. S. Crossman of the *New Statesman* has held—but an honest effort to treat the Russians as equals. If we had a record of the much more numerous Roosevelt-Churchill discussions at Yalta, we would doubtless find plenty of talking behind Stalin's back. Why, then, shouldn't there have been talking behind Churchill's or Roosevelt's back as well? The double standard involved in treating the Soviet Union as a special kind of pariah nation has all along been one of the deadliest obstacles to good East-West relations. It was one of FDR's merits to have understood this and to have done his best in his relations with Stalin to put it right.

Roosevelt made concessions at Yalta, particularly in relation to Poland, and doubtless played an important part in securing Churchill's reluctant consent to make the same concessions. But he also exacted concessions from Stalin, and the interesting thing is that the

points on which he yielded were for the most part in areas where existing power relations gave the final say to Stalin in any case, while the concessions he received included some which Stalin was in no sense obliged to make. For example, with the Red Army in control of Poland, there could be no question about who would finally determine the composition of the Polish government. On the other hand, there was no compelling reason why the Russians would have had ultimately to accept the American formula for voting in the UN Security Council. (The problem of French participation in the occupation of Germany, incidentally, brought concessions of both kinds from the Russians. Stalin would clearly have preferred to exclude the French altogether, but he saw at once that if the Americans and British wanted to give the French a zone in the West he could do nothing about it. Stalin therefore yielded quickly and gracefully on this point. But he did not have to admit the principle of French participation in the Allied Control Council, and he finally agreed to this only after lengthy discussion at several sessions and when he was convinced that to hold out longer would jeopardize Big Three unity.)

According to latter-day Republican mythology, FDR's greatest concessions at Yalta were in connection with securing Stalin's promise to enter the Japanese war. This is the sheerest kind of nonsense. The Western spokesmen at Yalta considered Russia's political conditions for declaring war against Japan to be entirely reasonable. It was a simple case of *quid pro quo*, and the record reveals no backing down by anyone. And if we are to reason on the basis of hindsight—which is legitimate enough so long as one looks back and sees what really happened—it is clear that by agreeing to recognize Chiang's government as the sole government of China, Stalin, though he was probably not aware of it at the time, was in reality making a very big concession to the West. For it was this recognition which enabled the Americans to shoehorn Chiang back into Manchuria, and which therefore probably delayed the Chinese Communists' conquest of power by as much as two or three years.

Roosevelt showed himself to be a genuine opponent of colonialism at Yalta, and there can be little question that the personal as well as the political bonds between him and Stalin stemmed in no small measure from this fact. In a private talk with Stalin, FDR expressed his contempt for the French record in Indo-China and openly stated that he would prefer a Soviet-American trusteeship over Korea without British participation, though recognizing that the British might be offended at being excluded. Had Stalin wanted to drive a wedge between the Americans and the British, he could not have asked for a better opening than this. His reply is therefore the clearest kind of evidence that the paramount aim of Soviet policy was Big Three unity and not to play the Americans and British off

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against each other. According to the Bohlen minutes: "Marshal Stalin replied that they [the British] would most certainly be offended. In fact, he said, the Prime Minister might 'kill us.' In his opinion he felt that the British should be invited."

The sharpest reminder of FDR's anti-imperialist sentiments is provided by a barbed shaft he let fly at Churchill in the course of a discussion of a proposed Declaration on Liberated Europe. The exchange as recorded by Bohlen went as follows:

THE PRIME MINISTER said he did not dissent from the President's proposed Declaration as long as it was clearly understood that the reference to the Atlantic Charter did not apply to the British Empire. He said he had already made plain in the House of Commons that as far as the British Empire was concerned the principles already applied. He said he had given Mr. Willkie a copy of his statement on this subject.

THE PRESIDENT inquired if that was what killed Mr. Willkie.

We do not mean to give the impression that Roosevelt appears altogether to good advantage in the Yalta discussions. He displayed no clear ideas on the German problem, for example; and his remarks on China in a private talk with Stalin show that he had been taken in by the pompous fool who was then representing the United States in Chungking, and strongly suggest that he had little understanding of the great historical events which were even then unfolding in China. But when all legitimate criticisms of FDR have been made, the fact remains that he wanted peace, understood the necessity of Big Three unity for the establishment and maintenance of peace, and was determined to make realistic use of his knowledge to attain what he wanted. These are the qualities which mark him off as probably the greatest bourgeois statesman of the twentieth century.

(2) It has already been indicated that Stalin agreed with Roosevelt on the primacy of Big Three unity as a goal of the Yalta Conference, and his formulation of the problem at one of the tripartite dinners is both quotable and well worth quoting:

In a subsequent toast to the alliance between the three great powers, Marshal Stalin remarked that it was not so difficult to keep unity in time of war since there was a joint aim to defeat the common enemy which was clear to everyone. He said the difficult task came after the war when diverse interests tended to divide the allies. He said he was confident that the present alliance would meet this test and also that it was our duty to see that it would, and that our relations in peacetime should be as strong as they had been in war.

Stalin's record at Yalta shows that he meant what he said. An actual count would almost certainly show that his concessions con-

siderably outnumbered those of Roosevelt and Churchill, and despite several opportunities (including the Korean trusteeship question mentioned above), he carefully refrained from any attempt to divide the British from the Americans. It is no wonder that Harry Hopkins, as the Conference drew to a close, wrote a note to FDR expressing the view that the "Russians have given in so much at this conference that I don't think we should let them down."

In other respects, too, Stalin's performance at Yalta makes an excellent impression. There is no sign of any of the familiar Stalin stereotypes in these papers: no boorish Georgian peasant, no arrogant despot, no crafty oriental schemer. What we see instead is a suave, flexible, sometimes hard-hitting, often slightly ironical, always businesslike negotiator. It is no wonder that FDR and Stalin liked each other: they saw eye to eye on the big things, and they liked to operate in much the same way.

On the other hand, Stalin is very far from appearing as the superman he has sometimes been painted. He shows to little better advantage than FDR in the discussions of Germany. His grasp of the Chinese problem was certainly far superior to FDR's, but he seems to have seriously underestimated the then-existing strength of the Chinese Communists and, as a result, to have agreed to policies which prolonged Chiang Kai-shek's rule without any compensating advantages to the Soviet Union. And his curiously repeated insistence that he did not believe the Labor Party would ever succeed in forming a government in Britain indicates an underestimation of both the sophistication of the British people and the resourcefulness of the British ruling class. When we recall that this was only a few months before the Labor Party's landslide victory in the 1945 general elections, we can appreciate how serious a political miscalculation was involved. It is no wonder that Stalin and his colleagues in the Soviet government, basing their policies on misjudgments of this kind, have often committed bad mistakes in the conduct of their relations with the advanced capitalist countries.

(3) In comparison to Roosevelt and Stalin, Churchill comes off rather poorly. He *talks* as much as the others about the need for unity; but one gets the impression throughout that while they are seeking to realize it in practice, Churchill is really pursuing quite different ends. It is hardly an exaggeration to say, indeed, that Churchill's purpose often appears to be that of preventing rather than seeking agreement. Each of the three heads of government naturally cites public opinion in his own country as a reason for his position on this or that question, but Churchill, alone among the three, almost invariably gives the impression of insincerity when he resorts to this argument. (Anyone who was in London during the war, for example, and knew at first hand the relative popularity of

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the London Poles and the Soviet Union is likely to find it a little difficult to believe that it was *British public opinion* that prevented Churchill from jettisoning Mikolajczyk and company in favor of the Lublin government. On the other hand, no one familiar with American politics can doubt that on this very problem the Polish-American minority—not American public opinion as a whole at that time—created a very real difficulty for FDR.)

Again, Churchill repeatedly resorts to the age-old excuse for indecision and inaction, the alleged need for further study. Roosevelt and Stalin were well aware that the three of them had assembled to make decisions of principle, not of detail, and that any issue which they could not settle would very likely remain a bone of contention and a source of disagreement for a long time, perhaps permanently. Churchill must be presumed to have known it too, for whatever else he was (and is) he was certainly no fool. Hence his stalling tactics must be presumed to have had the purpose of preventing agreement until it was too late. The fact that he had very little success is not only a tribute to the determination of Roosevelt and Stalin to reach agreement but also evidence of the fact that Churchill himself was operating under pressures from home that were strongly pushing him in the same direction. But anyone who had access to the Yalta records in March of 1945 should not have been surprised by Churchill's "iron curtain" speech at Fulton, Missouri, one year later.

(4) While the discussion of Germany must be interpreted in the context of the time, so that a generally harsh and bitter attitude toward that country is fully understandable, still it must be said that not much of insight or value emerged from it. Roosevelt and Stalin were both strongly in favor of dismemberment and a drastic reduction of German living standards and productive potential (though it must be said that neither espoused the kind of absurdities which have come to be popularly associated with the so-called Morgenthau Plan). Churchill agreed to dismemberment with obvious reluctance and generally favored a much "softer" peace. But on all hands there was a notable absence of serious analysis of the probable consequences of various possible courses of action; and, aside from the decision to admit France as an occupying power with equal rights, and an agreement to insert the word "dismemberment" into the terms of unconditional surrender, not much was actually decided about the future of Germany.

The curiously unfinished and unsatisfactory character of the negotiations over Germany clearly cannot be attributed to ignorance or incompetence on the part of the chief negotiators, and indeed there is no obvious explanation for it. But the hypothesis may be hazarded that here for the first time the two sides really came face to face with the problem of organizing coexistence between two



basically antagonistic social systems. They could not define it, or even recognize it for what it was, and therefore could not even begin to solve it. Both sides were inevitably going to be involved up to their necks in Germany, and yet their preconceptions about what could and should be done were obviously poles apart. If there was any constructive way to reconcile these opposed ideas, it was certainly not discovered at Yalta. Roosevelt and Stalin, both fully conscious of the crucial importance of Big Three unity, sought, perhaps unconsciously, to exorcise the problem by reducing Germany as nearly as possible to a zero. Churchill, who never really believed in Big Three unity anyway, was already beginning to maneuver to get Germany on his side and build it up as a bulwark against the Soviet Union. (It is worth noting that a related element of Churchillian strategy, which also comes through clearly in the Yalta papers, was to build up France as a counterweight to Germany. It was this aim which caused FDR to say to Stalin in a private meeting that "the British were a peculiar people and wished to have their cake and eat it too." As applied to Churchill, if not to the British people as a whole, it was a shrewd and just remark.)

If FDR had lived, it is just possible that he and Stalin, at Potsdam or later, would have really come to grips with the German problem, though it seems much less likely that they would have found a mutually acceptable solution. With FDR gone, the cold warriors soon took over, of course, and Churchill's policy rapidly became the policy of the West as a whole. And this in turn made the continued partition of Germany inevitable. Ironically, the one thing the Yalta negotiators agreed upon for Germany, dismemberment, has actually come to pass, though in a manner and with consequences very different from what they then envisaged.

(5) In one sense, of course, reparations were merely a part of the German problem. Roosevelt seems to have favored a moderately large reparations program because it would help to implement his general German policy, already alluded to. Stalin favored an even larger program for this reason, and also because he was obviously very sensitive to the passionate feeling among the people of the USSR that Germany should make amends for the horrible destruction caused by the Nazi armies. Churchill's anti-reparations attitude, which angered Stalin to the point where his emotion shows through on the printed page, was merely the other side of the "soft peace" coin. There would be no need to comment further on the reparations issue if it had not been so often used as a cold-war stick to beat the Russians with. In view of this, it is worth noting that the Soviet program, as outlined at one of the plenary sessions by Gusev, calling for total reparations in kind worth \$20 billion, was entirely reasonable and practical. Spread over a period of ten years, this would have

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amounted to only \$2 billion a year, which is certainly a good deal less than the military burden which the Bonn government is now so anxious to assume. But capitalist governments somehow always find it infinitely easier to spend money on armaments than on repairing the damage done by armaments.

(6) At the heart of the Yalta negotiations there was one issue which does not figure as such among the lists of subjects discussed and which may be summed up under the heading "spheres of influence." Historically, both British and Russian foreign policies had often made use of the spheres of influence device, vis-à-vis each other as well as third powers. For example, early in this century Britain and Russia had divided Persia into spheres of influence; and already before Yalta, Stalin and Churchill had reached an agreement on the Balkans according to which Rumania and Bulgaria were Russia's responsibility and Greece was Britain's. The United States, on the other hand, had traditionally been violently opposed to spheres of influence, regarding them as barriers erected by the older imperialist powers against American penetration. Probably no American Secretary of State was ever more hostile to spheres of influence than Cordell Hull who had resigned, after more than eleven years in office, only two months before the Yalta Conference. He had strenuously objected to the aforementioned Soviet-British agreement, and the State Department's pre-Yalta papers contain sharp warnings against any fresh spheres of influence deals.

Of course no one spoke openly of these matters at Yalta, but they can hardly ever have been absent from the minds of the participants. Stalin obviously approved of the spheres of influence device and favored its extension and formalization.

While it is impossible to be certain on the point, it seems highly likely that he would have grabbed at an opportunity to concede the Americans and British a completely free hand in Western Europe and the Mediterranean, in exchange for their promise not to try to intervene in Poland and the other countries to the east of Germany which had been liberated by the Red Army. And his reiterated and often sharply pointed references to Greece could only have been designed to impress upon his allies that on the Soviet side, at any rate, such an agreement, once made, would be strictly adhered to.

Churchill, as his past conduct had shown, was perfectly willing to make a spheres of influence deal if he thought it was essential to protect the interests of the British Empire. But he was emphatically *not* prepared to make a deal merely to safeguard the security of the Soviet Union. Hence the somewhat paradoxical spectacle of Churchill one minute thanking Stalin for his attitude toward Greece and the next fighting like a tiger to maintain a British-oriented govern-

ment in Poland. The truth, of course, is that Churchill never had, and never has, given up the idea of overthrowing the Soviet regime, and for him any agreement with it could have no more than a limited and temporary validity.

Roosevelt seems to have been much less imbued with the traditional American attitude towards spheres of influence than one would expect. On several occasions, he explicitly recognized the right of the Soviet Union to have friendly neighbors, and it is clear that this recognition contains in germ the whole spheres of influence idea as understood by Stalin. To be sure, FDR did not develop the implications of the idea at Yalta, and it is doubtful if he had done so in his own mind. Nevertheless, it is certain that he meant it when he granted the USSR's right to security, and it seems reasonable on the basis of the record to conclude that his resistance to Russian demands in relation to Poland was motivated by domestic political considerations rather than by the exigencies of power politics.

For Churchill, spheres of influence meant protection for the British Empire; for Stalin, they spelled live and let live. Roosevelt's anti-imperialism might have prevented him from seeing the distinction even if he had lived. But it seems safe to assume that his commitment to peace and to Big Three unity as the means to its preservation would have prevented him from going the way of his successor, who organized a crusade against the Soviet Union in the name of anti-imperialism. Roosevelt would have been the first to see that that way lay disaster for all.

Finally, let us record one conclusion which the Yalta papers forcefully impressed upon us: it is high time for all Americans who sincerely want peace to scrape away their inherited preconceptions about the wickedness of spheres of influence and to re-think this whole issue in the light of the conditions and problems of an era of antagonistic but coexisting social systems. If, as we believe to be the case, the frank recognition of spheres of influence *in some form or other* is an absolute essential to the maintenance of peace, then surely the principle as such cannot be condemned. But there is still an enormous amount to be done in defining and delimiting the kind of spheres of influence that is needed in our day and age.

(April 10, 1955)

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*We really believed in our hearts that this [Yalta] was the dawn of the new day we had all been praying for and talking about for so many years. We were absolutely certain that we had won the first great victory of the peace—and, by "we," I mean all of us, the whole civilized human race.*

—Harry Hopkins to Robert E. Sherwood,  
in *Roosevelt & Hopkins* (p. 870).

## FREE ENTERPRISE IN ACTION

BY POLITICAL ECONOMIST

In 1952, the Federal Trade Commission published a report entitled *The International Petroleum Cartel*. This cartel consists of eight giant concerns, five American, two British, and one French. The Federal Trade Commission devoted one chapter of its report to the cartel's price policy. Its main conclusion was:

The existing price structure is still highly profitable to the small number of major international oil companies that dominate world production. . . . American companies operating in the Middle East have made substantial profits on their combined producing, refining and marketing operations . . . under a system of pricing that

(1) bases delivered prices throughout the world on the relatively high United States costs, notwithstanding the fact that this country has become a net importer of petroleum;

(2) uses schedules of uniform freight charges that may not have any real relationship to transportation costs actually incurred, especially by the major companies that own or control the bulk of the world's tanker facilities;

(3) is supported and maintained by effort on the part of the major international companies to adjust production to world demand.

The net effect of the Federal Trade Commission's report seems to have been zero.

More recently, the United Nations Economic Commission for Europe has been investigating the impact of the cartel's price policy on Western Europe. Anything connected with the cartel is dynamite. Accordingly, Hal Lary, the ex-Department of Commerce official who is now the ECE's Director of Research, was dispatched to New York to get Dag Hammarskjöld's clearance before publishing the report summarizing the investigation. At the same time, the report was shown to the oil companies, which raised strenuous objections (see *Business Week*, March 5th), and was leaked to the

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*Political Economist writes regularly for MR from Europe. In this article, he gives us a glimpse of the "free-world" oil industry as it is seen by Europeans. MR Press is planning to publish a comprehensive study of the whole subject by Harvey O'Connor.*

press as a safeguard against suppression. The London *Economist* stated on February 26th that

it seems to be true that one or two of the American oil companies that are concerned in the European market have put to the Secretary of the United Nations the kind of interlocutories that a report of this kind usually attracts. Perusal of the draft report does not suggest much ground for complaint and certainly no justification for seeking to gag a report which seems to be a workmanlike and not unsympathetic study of the problems and strains in oil pricing.

The question of publication was considered by the ECE Coal Commission at its meeting in Geneva on March 9-10. In view of the numerous leaks to the European press, it had no option but to agree to its release as a draft study in no way involving the endorsement or approval of member governments. The State Department admitted that it "acquiesced in this decision to publish . . . because of the unauthorized disclosure of contents that had already occurred." (*New York Times*, March 19.) The report, entitled *The Price of Oil in Western Europe*, was therefore finally published on March 17, and at 40 cents a copy is good value for the money. A careful reading fully bears out the *Economist's* conclusion; indeed the report leans over backwards not to be too hard on the cartel.

The main facts as revealed by the study are as follows:

"There has in fact been a secular change in the center of gravity of world oil." (P. 4.) In 1937, Western Europe imported 11 million tons of crude oil, of which 40 percent originated in the Middle East. In 1952, it imported 69.5 million tons, of which no less than 93 percent came from the Middle East. The f.o.b. price of Middle East crude oil has always been tied to the delivered price of Texas Gulf crude. There is consequently a very wide spread between the costs and profit margins of oil operations in the United States (which nobody has yet proved are unprofitable) and those elsewhere. Thus, according to the ECE study, the average cost of producing a barrel of crude in the United States in 1941 was 76 cents; in 1945 the comparable cost at Bahrein in the Persian Gulf was 10 cents. In 1952, the King of Saudi Arabia received \$212 million as his 50 percent share of Aramco profits. (Aramco, the Arabian-American Oil Company, is owned jointly by Standard Oil of New Jersey, Standard Oil of California, Socony-Vacuum, and the Texas Company.) The study infers that "net profits must have been in the neighborhood of \$425 million, on a total production in that year of 300 million barrels. In other words, with crude oil selling at \$1.75 per barrel, a net profit in the neighborhood of \$1.40 per barrel was being earned." (P. 15.)

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What this means is that this method of price fixing yields the cartel several hundred million dollars of extra profit a year on its sales to Western Europe alone. The study does not call this daylight robbery. It merely says that "the continued dependence of Middle East prices cannot be explained in terms of the underlying conditions of supply and demand. . . . If this link were severed, the price charged on sales to European countries by the Middle East could be significantly lowered without adverse effects on the further development of its crude oil production." (Pp. 22-23.)

As for refined products, the ECE study establishes two facts. First, "prices in western Europe tend to be equal to the price at which products could be delivered from the Caribbean." (P. 25.) Second, American refining practice stresses gasoline, while that of Western Europe stresses fuel oils. Since "the present pattern of prices provides a strong incentive for refiners in western Europe to adopt output patterns more comparable to those in the United States . . . and out of line with the pattern of demand in Europe" (p. 28), there is a further distortion in the Western European structure of both prices and production.

The ECE study prescribes the following remedy:

A more rational and tenable price structure of product prices in western Europe would need to be consistent with two objectives. One is to establish a pattern of relative prices for the different products which will make most attractive commercially their production in proportions appropriate to the pattern of demand. . . . The second is to ensure that the pricing practices adopted are such that efficient non-integrated refiners . . . can compete on equal terms with the integrated companies. (P. 35.)

This remedy is utopian. The only rational price policy from the cartel's point of view is one which maximizes monopoly profits. This is perfectly sensible in terms of the mechanics of monopoly capitalism. The modern heirs to the Viking pirates and medieval robber barons charge what the traffic will bear, to use the standard jargon. In Stalin's blunter and much-decried language, they are making "maximum profits" of 200 percent and more. Perhaps it is the mechanics of capitalism that are irrational. Moreover, no practicable scheme compatible with private ownership can enable independent, and therefore smaller, producers to compete on equal terms with integrated, and therefore larger, producers.

Such absurd prescriptions are in order from academic economists with their glowing pictures of a competitive land of Cockaigne, not from the more experienced and less naive staff of ECE. Under capitalism, production is for profit, not for use, and the bigger the

monopoly, the bigger the profit. Nowhere is either of these propositions clearer than in the case of oil.

The ECE's final conclusion that "alone and unaided, the oil industry may find it impossible to evolve a more rational pricing structure or pricing mechanism" (p. 38) may well go down as the classic understatement of 1955. The question is, who is going to "aid" the oil industry to evolve such a structure or mechanism? The State Department, in which the cartel is so ably represented? Or the British government, with its 51 percent interest in British Petroleum (formerly Anglo-Iranian)? The State Department's response to the report was not exactly a revelation from Mount Sinai. "The study deals with a complex and highly controversial subject. . . . [It] appears to suggest the desirability of governmental or inter-governmental controls over oil prices. This would be contrary to the policy of the United States Government." (*New York Times*, March 19.) British government spokesmen have also talked of the complexity of the subject and the incompleteness of the study, both at Geneva and in the House of Commons. It is thus as certain as anything can be that the report is already a dead letter as far as the British and American Governments are concerned.

The tactics of the American oil company executives have been brazenly to deny the accuracy of the ECE's data while ignoring the basic criticisms. The Standard Oil Company of New Jersey asserted that "it is regrettable that such a one-sided presentation should be presented as 'fact,' when it actually contains gross misstatements, misuse of statistics and unjustified implications." (*Business Week*, March 5.) Caltex and Socony-Vacuum echoed the same charge. (*Financial Times*, March 18 and 22.) The insolence of this charge is all the more startling in view of the fact that the ECE study repeats *ad nauseam* that many data are simply not available. To quote a few examples: "Even ex-refinery prices are not generally published in western Europe." (P. 2.) "The prices at which most transactions take place are not made public." (P. 6.) "It is difficult . . . to find first-hand published data on the [level of tanker freight] rates." (P. 10.) "Published data on the costs of refining are unfortunately very scanty." (P. 30.)

The British oil companies have been more sophisticated. So far, they have maintained a discreet and continuous silence, leaving the task of making apologies to the financial press. According to a *Financial Times* editorial of February 22: "Cheap Middle Eastern oil would be economically beneficial to Western Europe but could cause severe political damage. Once the profit-sharing principle was introduced—and it was hailed by all [including Anglo-Iranian?] as a wise move at the time—the Middle Eastern Governments had a vested interest

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in high prices." In other words, the Western European consumer is paying prices yielding "maximum profits" to the cartel in order to preserve the decadent dynasties and parasitic pashas of Iran, Iraq, and Arabia. Nobody can object to the principle of royalties on oil production. But the present social system in these countries, *buttressed by the cartel*, ensures that the vast majority of their population gets no advantage worth mentioning from the exploitation of the natural resources in their territories. As it happens, prices could easily be reduced without encroaching on the existing scale of royalties, *if only* the cartel were willing to pocket a rate of profit of 50 or even 100 percent instead of 200 percent.

Evidently the *Financial Times* was not satisfied with this defense, since it returned to the subject in another editorial on March 18th. Having granted that the report is "a careful analysis of the structure of costs and prices in the international oil trade" (American oil companies please note), it argues that "the price of oil must to a large extent be artificial." The implications of this damaging confession are discussed below. Further, it pleads that the oil companies "must make big profits" because of the high cost of exploration and development, but proceeds to nullify this plea by admitting that "profits are higher in the Middle East" than in the United States. There remains the argument of last resort. Even if the price of Middle Eastern crude is too high, a reduction would not benefit the West European consumer much because of the high tax on gasoline. Taxes on the consumer, if you please, are used to sanction maximum profits! Nor does the *Financial Times* bother to mention that fuel oil is not taxed at all and that the fuel oil consumer has to pay more both because of the high price of crude and because of the crazy pattern of refinery production.

The London *Economist* (February 26) is mystical as well as caustic. It argues that "much of a major oil group's operations must lie beyond any rational price calculus," and that current price arrangements "are at least the Devil every one knows." (Emphasis added.)

The first thesis, which we have already met, abandons the orthodox economists' main argument for capitalism, namely, that it tends to insure both an optimal allocation of resources and maximum consumer satisfaction through the operations of a rational pricing mechanism. The journal which once employed Herbert Spencer now admits that a "rational price calculus" cannot exist in a major complex of industries under capitalism, and that monopoly prices belong to the realm of the incomprehensible.

The *Economist's* second thesis has been used to defend every abuse, however gross, from the peculiar institution of slavery to



## FREE ENTERPRISE IN ACTION

child labor and the ten-hour day. It is not conscience, but lack of conscience, which "makes cowards of us all."

The lessons to be drawn from this story are simple and straightforward. Capitalism, whatever it once was, is no longer a system of free enterprise but one dominated by gigantic monopolies, which enforce price structures yielding maximum profits. Further, the gouging practiced by these monopolies, is *not* an excrescence on, *but an integral part of*, the normal functioning of the system.

Finally, the quest for maximum profits pushes the most powerful monopolies to strive for exclusive world domination. The goal of the American oil magnates is and must be the establishment of an exclusive monopoly over the oil industry of the capitalist world—the oil industries of the socialist world being beyond their reach. This is the only sensible explanation of the preservation of the otherwise meaningless links between the price of Texas Gulf crude and of Middle Eastern crude, and between the Caribbean and European price structures for refined products.

The current relationship between free enterprise and monopoly is like that between orthodoxy and heterodoxy in the epigram. "When I run an industry, I am a free enterpriser. When you try to butt in, you are a monopolist."

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*When monopolists succeed, the people fail.*

—Henry Demarest Lloyd, 1888

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*Modern business is still piracy and theft and lying.*

—Henry Demarest Lloyd, 1894

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*Our capitalistic regime, industrially, threatens the structure of Asiatic society at its very roots; politically, its militarism teaches these peaceful peoples the use of weapons which they know the conquered can later use to conquer. A yellow Manchu behind a Gatling gun is as good as the bravest white man in Kentucky.*

—Henry Demarest Lloyd, 1903

## FREEDOM TO TEACH

Under the above title, the following letter was published in the *Washington Post and Times Herald* of April 1, 1955, and it was also published (under the title "Classroom Freedom") in the *Christian Science Monitor* of April 7, 1955. We are, of course, deeply gratified by this forthright defense of academic freedom by ten of the country's most distinguished scholars and teachers. We urge MR readers in colleges and universities to publicize this letter as widely as possible and to stimulate others to a similar active defense of academic and intellectual freedom in their own communities.

The signers of the letter are professors at Columbia and Harvard as follows: *Columbia*—John L. Childs, education; Henry S. Commager, American history; Walter Gellhorn, law; Robert K. Merton, sociology; Ernest J. Simmons, Slavic languages. *Harvard*—Paul H. Buck, American history (formerly Provost of the University); Seymour E. Harris, economics; Mark DeWolfe Howe, law; Edward S. Mason, economics; Perry G. E. Miller, American history and literature.—THE EDITORS

We desire to call attention to the crucial importance for teachers of an aspect of a case now pending before the Supreme Court of New Hampshire. Though other issues are also involved, the facts directly pertinent to education are these:

Dr. Paul M. Sweezy, a well known writer on Marxian economics, was called before the attorney general of that state on two occasions in 1954 under an act requiring that official to investigate activities that might be subversive under a law of 1951. For three successive years, though not a member of the faculty, Dr. Sweezy has been asked to give a lecture on the theory of socialism to a class at the University of New Hampshire.

Dr. Sweezy testified under oath that he is not, and has never been a Communist; that he does not, and never has, believed in or advocated the overthrow of Government by force or violence; and that if socialism comes, he wants it to come by peaceable and constitutional means.

Having secured this testimony, the attorney general put to Dr. Sweezy a series of questions concerning the content of his lecture. The witness stated that he had not advocated the violent overthrow of Government, he did not invoke any constitutional rights against self-incrimination, but he refused to answer questions as to the content of his lecture.

A lower court has ruled that he is in contempt for this refusal, the reason being that the attorney general "is entitled to inquire into the actual content of any lecture given at any school" in the state.

That the legislature has a right to inquire into Communist activity in the state, including state institutions, is clear. Our concern is not primarily with the legality but with the wisdom of the attorney general's conduct. Operating under the laws of the state, the government of the university prevails over classrooms, and the primary responsibility for the administration of its affairs does not rest with the legislature.

That this is so is not the result of accident, but the consequence of a great tradition. Experienced teachers know how difficult it is in any circumstances to secure discussion of controversial issues in the classroom. They also know the desirability of having a particular theory presented by an expert, who is later cross-questioned by the class—the procedure that seems to have been followed at the University of New Hampshire.

Free presentation, free discussion, and free questioning are essential to the health of a free university. This does not mean, of course, that the classroom is beyond all authority. Within its walls the government is that of scholarship administered jointly by teachers and university officials. If another voice of authority than theirs is heard in the process of free classroom discussion, then the responsible freedom essential to the teaching function is jeopardized.

Dr. Sweezy believed that if he recognized the right of the attorney general to examine him about the content of his lecture and the discussion that followed, he would be faithless to an essential tradition of freedom. Surely this conviction is not quixotic.

We urge the profound importance of public policy in a case of this sort. It is difficult to preserve the possibility of dispassionate examination and inquiry in our universities at all times, but it will be even more difficult to preserve it if, in addition to the pressures scholars and scientists already feel, a decision by the New Hampshire court adverse to Dr. Sweezy should form a precedent that would require any lecturer on any controversial topic to justify himself before an investigating committee. The highest morality requires that we put our faith in the intellectual honesty of the teaching profession.

*John L. Childs, Henry S. Commager, Walter Gellhorn, Robert K. Merton, Ernest J. Simmons, New York City.*

*Paul H. Buck, Seymour E. Harris, Mark DeWolfe Howe, Edward S. Mason, Perry G. E. Miller, Cambridge, Mass.*

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*All but the most thoughtless or the most ignorant know that unless education is free the minds of the next generation will be enslaved.*

—Henry Steele Commager, *Freedom, Loyalty, Dissent*

## ON COMPETITIVE COEXISTENCE

BY A STUDENT OF THE USSR

At the height of the 1954 election campaign, Adlai Stevenson charged that the Eisenhower administration was following an economic policy which was causing us to *lose* the battle of competitive coexistence. In his speech, Stevenson claimed that

while the American economy has been shrinking, the Soviet economy has been growing fast, which is one of the most important facts in the world situation. In the long view it is probably a more important fact than the development of Soviet military power. To many people in the underdeveloped countries of the world it is the single most impressive fact about the communist world. (*New York Times*, October 3, 1955.)

The administration's most elaborate answer to this charge is contained in a study prepared for the Joint Committee on the Economic Report and recently published under the title *Trends in Economic Growth: a Comparison of the Western Powers and the Soviet Bloc* (hereinafter referred to as "the report"). As part of a growing body of literature designed to assure the "free world" that we are really *winning* the battle, this report deserves a more critical examination than the superficial accounts which have thus far appeared in the nation's press.

The report was prepared at the request of the Joint Committee on the Economic Report by the Legislative Research Service of the Library of Congress. Adviser to the project was Demetri B. Shimkin, who is described, on the basis of his book *Minerals, a Key to Soviet Power*, as "an authority" on the USSR (p. 161). In addition, the services of two top-flight economists specializing in Soviet studies—Doctors Abram Bergson, of Columbia University, and Gregory Grossman, of the University of California—were employed in the final stages of the project.

The report concludes that the economic capacity of the United States, Canada, and Western Europe is "significantly greater" than the combined strength of the Soviet bloc (excluding China). This of course is hardly earth-shaking. Presumably, the "American experts"

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*The author, a professional economist specializing on the USSR, contributes regularly to MR.*

## ON COMPETITIVE COEXISTENCE

in the Soviet Union itself have reached a similar conclusion. But what is astonishing about the findings of the report is the following:

An examination of the various factors of production . . . in the United States and in the Soviet Union today gives strong grounds for expecting that the absolute gap in the size of the two economies will widen over the next two decades, although the rate of growth in the Soviet Union might be somewhat higher than the rate of growth in the United States.

In relaying the conclusions of the report, the business press gleefully began to talk in terms of increasing the "gap," even though rates of growth are admittedly lower in the United States. In the words of *Fortune* magazine (March 1955, p. 72):

It is perfectly natural for less developed countries to grow rapidly in *percentage* terms, but this does not say that they can overcome the long headstart of industrialized nations. The committee figures show an annual gain of 6 percent in Soviet gross national product during 1950-53, vs. the American gain of 3 percent. But El Salvador averaged 11 percent during the same period!

This is of course nonsense. To put the second-ranking world economy on the same level with a underdeveloped agricultural country subject to wide fluctuations in national income caused by changing weather and market conditions is meaningless. Let us examine the problem a little more seriously.

To an important extent, the report's conclusions on the "growing gap" are based on a study of past overall rates of growth in the economies of the United States and the USSR. In this respect the report found:

In the period 1938-53, as a whole, the national product of the United States increased about three times as rapidly as that of independent Europe [Western Europe, including Spain, Finland, Yugoslavia, and West Berlin], and almost twice as rapidly as that of the Soviet Union. *To a substantial degree, this difference reflects the varying effects of World War II.* Between 1948 and 1953 the national product of the United States grew not quite 30 percent faster than that of independent Europe, and only  $\frac{2}{3}$  as fast as that of the Soviet Union. (Emphasis added.)\*

Since World War II inflicted roughly comparable human and material losses on both the Soviet Union and "independent Eu-

\* Although this finding was paraphrased by the *New York Times* (January 29, 1955), the key sentence in italics was presumably "unfit to print."

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rope," it is apparent from the above finding that the Soviet economy is growing at a much faster rate than the economy of Western Europe. However, because of the very different effects of World War II on the economies of the United States and the Soviet Union, the authors are less certain of the validity of comparing the growth of these two economies from 1938 to 1953, although "the period considered is probably no 'worse,' or no 'better' than others."

Of course, it would be nice to have a span of 15 years in which to measure growth. But if the length of time is such a desirable prerequisite, one wonders (or need one?) why the report did not extend the comparison back to 1929! Surely, a comparison of the shorter period, 1948 to 1953, is much more relevant in assessing future capabilities.

Should any reader be frightened by the fact that the economy of the United States has grown only two-thirds as fast as that of the Soviet Union since 1948, the report is reassuring:

The important fact is that past trends, by themselves, are poor guides to the future. Forecasts, if attempted, should be based upon concrete structural analysis.

With the latter sentence, most sensible people would probably agree. But what do we find in this 339-page report? To be sure, a wealth of statistical data compiled by various United States government agencies has been collated. However, the "analysis" consists primarily of a detailed inventory of the alleged shortcomings of the socialist bloc. At the same time, the report ignores for the most part the structural weaknesses of contemporary capitalism. It is true that there is some admission of weakness in Western Europe, but it is alleged that this can be corrected by the following relatively non-controversial measures: expansion of international trade; close co-operation of the United States and "independent Europe"; more emphasis on scientific education; and extension of the principles of the recently organized Coal and Steel Community.

An excellent example of the analytical approach employed is that applied to steel production. The report anticipates that by 1960 the Soviet bloc will be producing 77 million tons of steel compared with the 50 million tons produced in 1953. At the same time, it is predicted that the United States will be producing 117 million tons compared with 103 million tons in 1953, and that Western Europe will be producing 85 million tons compared with 63 million tons in 1953.

Now, we know that year after year the Soviet bloc increases its steel output by over 3 million tons so that its 1960 output of 77 million tons seems assured. But what about the United States and

## ON COMPETITIVE COEXISTENCE

Western Europe? In 1954, the steel output in the United States fell by 20 million tons; and the 1953 output of Western Europe represented a decline from 1952. It is true that steel production at present is high in the United States due to the increased demand of automobile manufacturers, but what will happen in the second half of 1955? In the absence of an automobile workers' strike, it is fantastic to assume that the industry will continue at its present pace. The current rate of production—an annual rate of over 8 million units—can only be justified by the rational desire of the automobile manufacturers to enter wage negotiations with greater bargaining power, that is, backed up by a huge backlog of unsold cars.

In the absence of an acceleration of the cold war, the anticipated 1960 steel figures for both the United States and Western Europe appear to be so much wishful thinking. Of course, if the 203 million tons of steel estimated for 1960 is based on an assumption of increasing *military* expenditures, then we should be so informed.

Incidentally, even if the unrealistic anticipated goals for steel were achieved in the West, the report indicates that the ratio of the production of the Soviet bloc to that in the West will have risen from 10 percent in 1929 to 38 percent in 1960.

Possibly because the report is the final product of a number of "experts," but also because the economic facts of life under socialism are too obvious to be *completely* camouflaged, certain trends favorable to socialism and to further socialist development emerge. But on the whole, the general analytical approach appears to be one of caution, skepticism, and ridicule with respect to Soviet claims of economic success. Although the Soviet economy expanded at a rate of about 7 percent per annum from 1948 to 1953, this rapid growth "probably cannot be maintained." Instead the report projects a 4.5 to 5 percent rate of growth for the Soviet Union between 1953 and 1970.

It should be mentioned that this and other estimates of Soviet rates of growth are well *below* the official Soviet figures. It can, I think, be presumed that these "recomputed" rates of growth have a strong downward bias. In fact, the rates of growth used in the report have been challenged by none other than the anti-Soviet expert, *par excellence*, Naum Jasny, in a letter to the *New York Times* (February 13, 1955). Instead of the 43 percent increase of gross national product recomputed by the report for the period 1948 to 1953, Jasny contends that the increase was more like 60 percent. He further estimates the per annum rate of growth for 1950-1953 at 8 to 9 percent instead of the 6 percent estimate contained in the report. Finally, he thinks the rate of growth from now

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until 1970 in the Soviet Union will be considerably greater than the 4.5 to 5 percent predicted by the study.

This reaction of Jasny to the report is particularly interesting when we consider the personalities involved in the preparation of the report. In the past, Dr. Bergson in particular has been a prime target of Jasny's McCarthy-like tactics. In 1951, for example, Jasny complained that Bergson's "manner of treating Soviet institutions, which might have been in order in wartime . . . seems out of place in 1950." (Naum Jasny, *The Soviet Price System*, 1951, p. 153.) Later, Jasny apparently boycotted a meeting of Soviet experts held at Arden House in May, 1952, and subsequently criticized (in *Social Research*, Spring 1954) the published results, which were edited by Bergson.

Quite naturally, attacks such as these of Jasny have discouraged any possible attempts at objectivity in the field of Soviet studies, so much so that Jasny now appears to feel it necessary to reverse his field. As a result, he was able to write in his letter to the *Times*:

What is the smaller evil for the defense of this country, and the world—to risk an overestimate or exclude this by all means? The question seems never to have been posed. But most forecasters act so as to exclude absolutely the possibility of an overestimate. Figures offered on this premise are necessarily underestimates.

What an irony that today it is Jasny who sets the leftward limit beyond which no self-respecting expert dare venture! It now comes as no surprise to find that the *lowest* estimate of "slave labor" in the Soviet Union quoted in the report (possibly as much as 3.5 million in 1941) is that of none other than Mr. Jasny himself!

With regard to the "analysis" of the United States economy, optimism rules the day:

The possible rate of growth of the United States and Canadian economies over the next two decades (about 4 percent annually in terms of 1953 United States prices) fully matches the potentials of the Soviet Union, so that no narrowing of the existing gap need take place. In fact, the reserve of labor and capital in the United States and Canada is so substantial that the gap might even be widened appreciably. Whether this will actually occur is a matter of *choice* rather than physical capacity. (P. 219, emphasis added.)

Now, it is certainly true that a huge reserve of labor and capital will be *available* in the United States and Canada between now and 1970. But it is by no means likely that anything approaching satisfactory utilization of either our labor or capital will materialize. Even economic optimists such as J. K. Galbraith are beginning to



## ON COMPETITIVE COEXISTENCE

talk of "high-level stagnation" in the future (see his article in *The Reporter*, February 24, 1955). Under such conditions, gross national product will naturally fail to grow in accordance with physical and technical possibilities. The production of some commodities (aluminum, electric power, plastics, aircraft manufacturing, and the like) may actually continue to expand, but the production of other commodities—including most durable consumer goods, machine tools, and steel—will probably stagnate or even decline. Another commodity—unemployed labor power—will undoubtedly tend to grow from year to year as new workers relentlessly enter the labor force.

It may also be true that it is a matter of choice whether we match the growth of socialist economies, although in "sophisticated" circles it is fashionable to argue that we can no longer afford the luxury of this "choice." And it is perhaps significant that even the unsophisticated William Randolph Hearst, Jr. recently returned from a trip to the Soviet Union pleading for a "permanent National Planning Board" to implement successful "competitive coexistence"! (*New York Journal-American*, March 1, 1955.)

But by and large, the current suggestions on how to meet the Soviet challenge—public works, more capital exports, lower taxes (and more deficit finance), and so on *ad infinitum*—are mere palliatives designed to *maintain* existing levels of *relative* prosperity. The only suggestion that could conceivably enable us to compete successfully—junking capitalism for socialism—is presumably beyond the range of choice. Certainly, there are no suggestions along *any* of these lines in the report.

In short, the administration's answer to Stevenson's charges is wholly inadequate. It seems to me that Stevenson was also correct when he added that "it will take more than slogans, the technique of merchandising, sly words and artful comparisons, to educate our people to the meaning of these times, to protect us, yes, and to guide us safely across the threshold of the age of abundance to a well-being than can brighten and enrich every life."

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*We have seen that the retailer in the small town could not afford to think clearly upon the political situation. But this was a mere instance, a sample of his mental attitude. He dare not face any question. He must shuffle, qualify, and defer. Here at last we have the great characteristic which covers our continent like a climate of intellectual dishonesty.*

—John Jay Chapman, *Causes and Consequences*

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### DEMOCRACY AT WORK

Arthur H. Dean, former special United States Ambassador in negotiations for a Korean peace in 1953 . . . said that the United States believed that Chiang Kai-shek and Syngman Rhee were just as entitled to choose their own form of government as was India.

—New York Times, February 21, 1955



## WORLD EVENTS

*By Scott Nearing*

### They Call It Defense

*U.S. News & World Report* in its issue of March 18, 1955, published a map of the northern hemisphere, with the Soviet Union at the center. Surrounding this target are various captioned arrows pointing at the USSR: "From Greenland, 3 hrs. 20 mins. to H-Bomb air bases in North Central Russia"; "From Britain, 2 hrs. 40 mins. to obliterate submarine bases at Murmansk"; "From France, 2 hrs. to H-Bomb big iron and steel centers around Leningrad"; "From Tripoli, 2 hrs. 10 mins. to flatten the major oil center near Rumania"; "From Greece, 1 hr. to reach and wreck the Ukraine's iron and steel industry"; "From Turkey, 3 hrs. to blow up the vast steel center around Magnitogorsk"; "From Mediterranean carriers, 1 hr. 20 mins. to blast the huge oil-producing center of Baku"; "From Saudi Arabia, 3 hrs. 20 mins. to strike new industrial areas behind the Urals." There are additional captions and arrows, but these give the flavor of the diagram which is headed: "How Russia Is Cornered."

The article accompanying this diagram points out that the United States now has 10,000 A-bombs, and "a fast-growing number of H-bombs" which are "dispersed around the United States and at secret storage spots overseas." The Air Force, *U.S. News* reports, now has 22,500 planes, many of them of the latest design.

Using Pentagon language, one would say that the encirclement of the Soviet Union by this ring of destruction and death was "a defensive operation undertaken in anticipation of Communist aggression." How would the Pentagon describe the situation if Soviet forces occupied Newfoundland, the Bahamas, the Virgin Islands, Cuba, and Catalina Island, and if Soviet air bases were sprinkled across the border in Canada and Mexico? Perhaps a "cornering" operation is aggressive only when it is undertaken by "the enemy."

### Certain Disturbing Facts

Secretary Dulles returned to Washington early in March after a turnabout in the Far East. During his fortnight of travel, Mr.

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Dulles signed a mutual defense treaty with Chiang's rebel government in Formosa and attended a meeting of the Southeast Asia Treaty Organization. The Secretary of State re-entered his homeland in a somber mood.

"I visited the forward positions against which the waves of Communism are beating," Dulles asserted. "Everywhere I found ominous evidence of the Communist efforts to terrorize, to beguile, to subvert." "The Manila Pact has three main purposes," he said: "First, defense against open armed aggression; second, defense against subversion; and third, the improvement of economic and social conditions."

It is the custom nowadays for United States spokesmen to blame their troubles on the Communists, but it is plain enough that in Asia there are diplomatic headaches quite unrelated to Communism. Take Mr. Dulles' SEATO as an example. SEATO was organized a year ago in Manila for the "defense of Asia." Its membership included three Commonwealth nations—Britain, Australia, New Zealand; two western powers—France and the United States; and three minor Asian states—Thailand, Pakistan, the Philippines. The overwhelming preponderance of power in the SEATO setup was Western. Its purpose: to defend Asia—against Asians. Neither at its inception, nor since, has a single major Asian nation joined SEATO, which remains a Western front, thinly and transparently camouflaged with Asian satellites.

A second State Department headache in Asia is the increasing stability of the Peking regime. Several years ago, Secretary Dulles told a Congressional committee that we must think of the Chinese Peoples' Republic as "impermanent rather than permanent." In the interval, despite Washington's persistent refusal to recognize the Chinese Peoples' Republic, its bitter fight against Peking's admission to the United Nations, its backing of the Formosan blockade of the China coast, and the artful subversive dodges of Brother Allen and his CIA millions of dollars, the Chinese Peoples' Republic has grown and prospered to such good purpose that it is today the Number One opponent of Washington's effort to convert the Pacific into an American lake.

A third specter haunting Washington is the United States' chief ally, Great Britain. London and Washington have been at odds on China policy since the foundation of the Peoples' Republic. London extended recognition. Washington refused. London favored Peking's admission to the United Nations. Washington opposed. London traded with the new republic. Washington passed the Battle Act and did what it could to hamper trade with China. Now comes a disagreeable report from the Senate Permanent Subcommittee on

Investigation: In one average month of 1954, 123 non-Communist ships, with gross tonnage of 751,635 tons, carried cargo to the Chinese Peoples' Republic. One of these ships was Moroccan, 1 Indian, 2 German, 4 Finnish, 4 Dutch, 6 Norwegian, 6 French, 6 Danish, 8 Italian, 9 Japanese and 70 (more than half) flew the British flag. Britain is Washington's Number One ally. Yet Britain, under a Conservative government since 1951, heads the list of those free-enterprise nations which are carrying on trade with the Chinese Peoples' Republic. Month by month, this trade is increasing. Chairman McClellan of the Senate Subcommittee cited these facts in a statement dated March 13, 1955.

Peking is stabilized. Asia seems to be going its way, SEATO or no SEATO. Communism is only one incident in the Asian setup. The central fact, as far as the Department of State is concerned, is the increasing refusal of Europeans as well as Asians to be intimidated or pushed around by the economic and military power wielded by the federal government in Washington.

### Walter Lippmann on the Social Crisis

Walter Lippmann has added another to the long list of books dealing with the present social crisis. He titles his book *The Public Philosophy*, with a sub-title "On the Decline and Revival of the Western Society."

Lippmann began his public life as assistant to a Socialist official, quickly shifted his allegiance to Wilsonian liberalism, and for three decades has been one of the most stalwart and vocal defenders of the American Way of Life. A serious Lippmann book like *The Public Philosophy*, begun twenty years ago, laid aside under the pressures of the 1939-1945 war, and published in 1955, can be accepted as a definitive statement of mid-twentieth century bourgeois thinking, United States brand.

Despite the writings of Spengler, Mumford, Sorokin, and Toynbee, the United States public has never thought in terms of the social crisis as a whole. Instead, it has treated the depressions, wars, and revolutions of the past half century as so many unrelated episodes, to be headlined, blamed on some European or Asian "enemy," and forgotten with the passage of time and the coming of new events. Judged from such a viewpoint, the history of 1900-1955 resembled that of any other half century, picked at random.

Not so Lippmann, who recognizes the special characteristics of the epoch through which we are living, and differentiates the first half of the 20th century from the second half of the 19th in qualitative terms. He understands that the 19th century advance of the West is being followed by a 20th century decline.

**Decline of the West**

Lippmann, like Spengler and Lenin, asserts that the West (the social pattern which we call Western Civilization) is declining. In the third line of his first chapter, he writes of "the mounting disorder in our Western society," and on the same page refers to "the alarming failure of the Western liberal democracies to cope with the realities of this century." Later, Mr. Lippmann refers to "the sickness of the Western liberal democracies" and notes that "there is a deep disorder in our society which comes, not from the machinations of our enemies and from the adversities of the human condition, but from within ourselves."

Western democratic sickness revealed itself, according to the author, after the war of 1914-1918. The democracies had defeated their enemies but "they were unable to make peace and to restore order. . . . They were entangled in a vicious circle of wars. . . . They were sick with some kind of incapacity to cope with reality, to govern their affairs, to defend their vital interests and, it might be, to insure their survival as free and democratic states."

"There was no mistaking the decline of the West. . . . In 1900 men everywhere on earth had acknowledged, even when they resented, the primacy of the Western nations. They were the recognized leaders in the progress of mankind."

The war of 1914-1918 led to cumulative losses so heavy "that the institutional order of all the belligerents gave way under the stress and strain." In the defeated countries, the price of the social breakdown was revolution. "In the victorious countries institutions were not overthrown, . . . but the constitutional order was altered subtly and yet radically, within itself. . . . The democracies became incapacitated to wage war for rational ends and to make a peace which would be observed or could be enforced."

Lippmann observes that the decline of the West is recent. It is also progressive, cumulative, and far advanced. "The more I have brooded upon the events which I have lived through myself, the more astounding and significant does it seem that the decline of the power and influence and self government of the Western democracies has been so steep and so sudden."

We agree with Lippmann that the Western world is breaking up rapidly. We also agree that the causes of decline seem to lie within the framework of Western society.

**Why the Collapse?**

Mr. Lippmann devotes the second part of his new book to an inquiry into causes. Western decline is due, he holds, to a

functional derangement of the relationship between the mass of the people and the governments of Western democracies. The people have acquired power which they are incapable of exercising, and the governments they elect have lost powers which they must recover if they are to govern. . . . The people are able to give and to withhold their consent to being governed. . . . They can elect the government. They can remove it. They can approve or disapprove its performance. But they cannot administer the government. They cannot themselves perform. . . . A mass cannot govern.

It is this derangement of political forces which is at the base of our social crisis, Lippmann believes. "Where mass opinion dominates the government, there is a morbid derangement of the true functions of power. The derangement brings about the enfeeblement, verging on paralysis of the capacity to govern. This breakdown in the constitutional order is the cause of the precipitate and catastrophic decline of Western society."

Peoples are unable to govern because "the movement of opinion is slower than the movement of events." In support of this contention, Lippmann cites the distortions of public opinion associated with the war of 1939-1945. The successful democratic politicians were "insecure and intimidated men." They had abandoned wisdom in favor of popularity. The resulting "devitalization of the governing power is the malady of democratic states. . . . The malady can be fatal." "The Western liberal democracies are a declining power in human affairs. I argue that this is due to a derangement of the functions of their governments." Derangement assumes its most disastrous form in "the relationship between the executive power on the one hand, the representative assemblies and the mass electorates on the other hand."

At this point the author introduces into his argument a chapter on "The Totalitarian Counter-revolution" in which he lumps together all phases of fascism and collectivism under the general head of "Strong Government." With strong government Lippmann links mass unrest. "We are living in a time of massive popular counter-revolution against liberal democracy. It is a reaction to the failure of the West to cope with the miseries and anxieties of the Twentieth Century. The liberal democracies have been tried and found wanting—found wanting not only in their capacity to govern successfully in this period of wars and upheavals, but also in their ability to defend and maintain the political philosophy that underlies the liberal way of life."

Such is Lippmann's analysis of the decline of the West, its "progressive barbarization," and its "descent into violence and tyranny." Before turning to his prescription, it might be well to note

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that Mr. Lippmann finds the cause of Western decline in the disruption of political relationships. Nowhere in his study of the social crisis does he deal with economic or sociological forces, such as the inability of the economy to dispose of its accumulating surpluses of goods and capital, save in response to government spending for military purposes. Similarly, he ignores the international chaos arising out of the life and death struggle for markets, raw materials, and strategic positions that can be fortified and used to police the colonials or to fight off rival empire builders.

### What Is To Be Done?

Revival of the Western Way of Life, Lippmann holds, is impossible unless the policymakers understand (1) "that free institutions and democracy were conceived and established by men who adhered to a public philosophy" which, applied to such problems as popular sovereignty, property, freedom of speech and education, "clarifies the problems and opens the way toward rational and acceptable solutions"; (2) "that the modern democracies have abandoned the main concepts, principles, precepts and the general manner of thinking which I have been calling the public philosophy"; and (3) the Western democracies will not be able to resolve their troubles unless the principles and precepts of the public philosophy can be "reworked for the modern age" and communicated to the modern democracies in such a form as will be effective in the formulation and administration of public policy.

Such is Mr. Lippmann's contribution to an examination, an evaluation, and a prescription for meeting the social crisis which is presently engulfing the West. He agrees that the West is declining, finds the cause of decline in political dislocations, and proposes as a way out a return to the premises and the causal sequences from which the present decline of the West stems.

Mr. Lippmann glosses over the individualism, acquisition, accumulation, and the competitive struggle for wealth and power which are the premises of Western civilization. Equally, he overlooks the economic and social dislocations and tensions which give rise to depressions, wars, colonial revolts, and social revolutions.

Lippmann's theories, popularized in his books and articles, are among the materials upon which United States policymakers depend for their directives. Can policymakers so ill-informed and misdirected do other than lead their blind followers into the ditches of history?



## WHERE WE STAND

BY THE EDITORS

During the early years of the 20th century the subject of socialism was widely and eagerly discussed in the United States. Eugene V. Debs, socialist candidate for president, polled close to 1,000,000 votes in 1912—the equivalent of approximately 3,000,000 votes in the 1948 election. The popular interest in socialism was reflected in an enormous sale of socialist literature. *The Appeal to Reason*, a weekly, had a circulation of more than 300,000 for several years; pamphlets by Oscar Ameringer were printed in editions of hundreds of thousands; books by Bellamy, Upton Sinclair, and Jack London ranked with the best-sellers of the day.

This widespread interest in socialism has declined to such an extent that today it would probably not be an exaggeration to say that for the great majority of Americans "socialism" is little more than a dirty word. This is an extraordinary situation because it occurs at the very moment that a large proportion of the rest of the world is moving toward socialism at an unprecedentedly rapid rate. It is a deeply disturbing situation because there are still many Americans who believe with us that, in the long run, socialism will prove to be the only solution to the increasingly serious economic and social problems that face the United States.

It is because we hold firmly to this belief that we are founding *Monthly Review*, an independent magazine devoted to analyzing, from a socialist point of view, the most significant trends in domestic and foreign affairs.

By "socialism" we mean a system of society with two fundamental characteristics: first, public ownership of the decisive sectors of the economy, and, second, comprehensive planning of production for the benefit of the producers themselves.

The possibility and workability of such a system of society are no longer open to doubt. Socialism became a reality with the

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*Reprinted from Vol. 1, No. 1 (May, 1949) and the first issue of every subsequent year.*

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introduction of the first Five Year Plan in Soviet Russia in 1928; its power to survive was demonstrated by the subsequent economic achievements of the USSR during the '30s, and finally, once and for all, in the war against Nazi Germany. These facts—and they are facts which no amount of wishful thinking can conjure away—give to the USSR a unique importance in the development of socialism and in the history of our time.

We find completely unrealistic the view of those who call themselves socialists, yet imagine that socialism can be built on an international scale by fighting it where it already exists. This is the road to war, not to socialism. On the other hand, we do not accept the view that the USSR is above criticism simply because it is socialist. We believe in, and shall be guided by, the principle that the cause of socialism has everything to gain and nothing to lose from a full and frank discussion of shortcomings, as well as accomplishments, of socialist countries and socialist parties everywhere.

We shall follow the development of socialism all over the world, but we want to emphasize that our major concern is less with socialism abroad than with socialism at home. We are convinced that the sooner the United States is transformed from a capitalist to a socialist society, the better it will be, not only for Americans, but for all mankind.

We believe that there are already many Americans who share this attitude with us and that their number will steadily increase. We ask their financial support, their assistance in extending our circulation, and their advice as to how *Monthly Review* can best serve the cause of socialism in the United States.

*Clarity about the aims and problems of socialism is of greatest significance in our age of transition. Since, under present circumstances, free and unhindered discussion of these problems has come under a powerful taboo, I consider the founding of this magazine to be an important public service.*

PROFESSOR ALBERT EINSTEIN  
in his article "Why Socialism?" in Vol. I, No. 1

(continued from inside front cover)

a highly interesting and rewarding experience, thanks in no small part to the cooperation and kindness of MR readers wherever he goes. He is planning to write up his overall impressions and conclusions for publication in the June issue.

Argument on the Sweezy case before the New Hampshire Supreme Court was to have been heard on April 5 but has been postponed until the May or June sittings of the court. In the meantime, comments and protests on the case continue to pile up. Unquestionably the most weighty yet to come from within the United States, by ten Harvard and Columbia professors, is reprinted below, beginning on p. 16. Two others, from very different sources, are worth recording. One comes from Dr. Julius Lewin, Senior Lecturer in African Native Law and Administration at the University of Witwatersrand, Johannesburg, South Africa:

I wish to join in the international protest against the threatened punishment of Dr. Paul Sweezy. His reputation as an economist is known in this country and his writings are valued. I may say that there are teachers in the University of Cape Town and in the University of Natal who share my view of the Sweezy case.

The other comment comes from the *Milford Cabinet and Wilton Journal*, weekly paper serving Sweezy's hometown area in New Hampshire. It is a long editorial entitled "Live Free or Die," analyzing the achievements, positive and negative, of New Hampshire's investigation of "subversive activities." After making clear that he disagrees entirely with Sweezy's ideas, the editor concludes, in what we take to be the finest American tradition, that

it is still possible that when the smoke has cleared the real defenders of the constitution will turn out to have been some of the unorthodox and "radical" individuals who have locked horns with the Attorney General and not the thousands of people who have let their hatred of Communism obscure the belief that there are some things which are the concern only of the individual and his conscience and about which the state has no right to inquire.

With this issue, MR begins its seventh year of publication. For an independent radical publication, that would have been a good record at any time in this country's history. In these years of witch hunt and cold war, we think it is very good indeed. We know that MR's ability to survive and grow, slowly but surely, is not only evidence of a burning need for a publication of this kind but also a tribute to the loyalty and generosity of as grand a group of readers as any magazine could hope for. We extend to you our warmest thanks and bespeak your continued confidence and support.

Notice to Subscribers in the New York Area

**REV. STEPHEN A. FRITCHMAN**

of the First Unitarian Church, Los Angeles,

and THE EDITORS will speak at MR's Birthday Party

Monday, May 16 — 8:30 P.M.

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